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ABSTRACT

The United States Department of Education (ED), Office of Inspector General (OIG), describes in its semiannual report its provisions for audit, investigation, fraud detection and prevention, as well as other activities. The first section reviews management improvement and preventive activities including recommended changes to legislation and regulations, programmatic initiatives, and other related activities. The second section summarizes audit statistics, allocation of audit resources, highlights of significant audits, audit resolution and recovery of funds, and the status of prior audit recommendations. In discussing investigative activities, the third section summarizes the statistics on cases handled, the workload analysis investigation of these cases, and the highlights of significant investigations. The fourth section of the report outlines the new cash award program, complaint center activities, additional OIG staffing positions to be filled in 1983, the cost of reduction in the security program, reviews of legislation and regulations, participation of OIG in the President's Council on Integrity and Efficiency, and the number of subpoenas issued during that period. Appendixes list reporting requirements, OIG audits for the period, and ED accounts receivable. (MD)

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U.S. DEPARTMENT OF EDUCATION

Semi-Annual Report to Congress

OCTOBER 1, 1982 - MARCH 31, 1983 **NO. 6**

(Submitted pursuant to Public Law 95-452)

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
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The Office of Inspector General took significant steps this period toward improving the economy, efficiency and effectiveness in the administration of, and preventing and detecting fraud and abuse in, the Department's programs and operations.

- Cooperative efforts on the part of OIG and program officials have led to a number of proposed changes in legislation and regulations, which would significantly strengthen the applicable programs p.I-1
- Management made commitments to seek recovery of $21.7 million as a result of audits resolved this period p.II-17
- The Department has resolved all audits over six months old.....p.II-15
- Recoveries from audits amounted to $4 million.....p.II-17
- A total of 83 indictments and 67 convictions/pleas were obtained this period p.III-1
- Assessed fines, restitutions, and settlements from investigative activities totaled $570,000. Cost avoidances amounted to $116,000.....p.III-1

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Office of Inspector General

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

APR 29 1983

Honorable T. H. Bell
Secretary of Education
Washington, D.C. 20202

Dear Mr. Secretary:

In accordance with the requirements of Section 5 of the Inspector General Act of 1978 (P.L. 95-452), I am submitting this semi-annual report on the activities of the Department's Office of Inspector General for the six-month period ending March 31, 1983. Highlights of our activities and accomplishments are provided in the Executive Summary which begins on page i.

The Act requires that you submit this report, along with any comments of your own, to appropriate Congressional Committees and Subcommittees within 30 days.

I appreciate the cooperation and support of ED management in helping us carry out our audit and investigation responsibilities. Management has been generally supportive and responsive to our reports and recommendations. I am especially pleased to report to you and the Congress that the Department has achieved its goal of resolving all audits over six months old during this reporting period. This is a major accomplishment and a considerable improvement over the 1,804 unresolved audit reports over six months old reported in September 1981.

I look forward to working with you and other ED management officials in the coming months and feel confident that we will continue to make progress in our mutual goal of improving economy, efficiency and effectiveness of departmental programs and operations, and in preventing and detecting fraud and abuse.

Sincerely,

James B. Thomas, Jr.

James B. Thomas, Jr.

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202

EXECUTIVE SUMMARY

This is the sixth semi-annual report issued by the Department of Education (ED) Office of Inspector General (OIG) pursuant to the provisions of the Inspector General Act of 1978 (P.L. 95-452). The report summarizes the activities and accomplishments of the OIG during the six-month period ending March 31, 1983. Reporting requirements mandated by the Act are indexed in this report on page V-1.

During this period, intensified OIG efforts were devoted to management improvement and prevention activities. These efforts and initiatives are highlighted in Chapter I of the report. Among the more important of these were efforts by our office to enhance the effectiveness of two major programs by recommending needed changes in legislation or regulations, participation in the Department's internal control program and initiation of a project to get State guarantee agencies to take a more active role in preventing, detecting and investigating fraud in the administration of the Guaranteed Student Loan program. We also achieved significant results in the conduct of our audit and investigative activities.

- We issued or processed a total of 2,556 audit reports on ED operations, grantees and contractors. These reports recommended disallowance of costs totaling $9.9 million and questioned additional costs of $10.7 million (page II-2). The report also identified a number of opportunities for improvement in ED programs by Federal officials, State and local education agencies and others (page I-1).

- Program managers sustained $48.8 million in costs recommended for disallowance or questioned on audits resolved this period. Of this amount, program officials have decided to seek recovery of $21.7 million. Amounts recovered on closed audits this period totaled $4 million (page II-17).

- Concerted efforts on the part of the Secretary, program officials and the OIG have enabled the Department to resolve all audits over six months old. This is a considerable improvement over the 1,804 unresolved audits over six months old reported in September 1981 (page II-15).

- OIG opened 264 investigative cases and closed 119. OIG investigations resulted in 83 indictments and 67 convictions. Fines, restitutions and settlements amounted to about $570,000. In addition, investigative activities resulted in cost avoidances of $116,000 (page III-1).

Examples of some of the more significant audits and investigations completed this period follow.

- Two audits of conference and travel costs in one State disclosed that about $1.2 million was improperly charged

to the Department because costs incurred were unrelated to the effective administration of the Title I program. We recommended that the State refund the $1.2 million, establish criteria for charging conference and travel costs and monitor local education agencies to ensure compliance (page II-5).

- Audits of two State guarantee agencies disclosed, among other things, that Federal advances of $3.9 million were no longer needed by one State agency, and that Federal advances totaling $4.2 million had been improperly accounted for by the second. We recommended that the unneeded advances of $3.9 million be returned and questioned the need for the advances provided to the second agency (page II-7).

- Audits of two separate school districts disclosed that, contrary to regulations, the districts were using bilingual education funds to further students' understanding of a foreign language or culture. Also, more than 40 percent of the students participating were not limited English proficient as required. We recommended that $818,000 used to fund these ineligible projects be refunded to the Department (page II-10).

- An audit of a major Department of Education contractor disclosed serious financial and compliance deficiencies in managing and accounting for Federal funds related to Indian education services. We determined that over $700,000 of the $3.1 million received by the contractor had been misappropriated and recommended that this amount be returned to the appropriate Federal agencies (page II-12).

- Our nationwide effort to identify and prosecute ineligible aliens who have fraudulently obtained student financial assistance has resulted in an additional 63 indictments this period, bringing the total indictments obtained under this initiative to 156. The individuals involved have fraudulently obtained more than $724,000 in student financial assistance (page III-3).

- An OIG investigation of a proprietary school which offered courses to prison inmates disclosed that some Federal grants to defray tuition costs were for individuals who had been released from prison. The funds for such students were retained by the school and reported to the Department of Education as valid disbursements. A Federal grand jury returned a 57-count indictment against the school and three of its principal officers. A plea agreement in settlement of the criminal charges required that the school pay a fine of $25,000 and repay approximately $250,000 in improper awards as determined by an OIG audit (page III-4).

- During January 1983, the former director of an ethnic cultural foundation signed a consent judgment with a U.S.

Attorney. The subject was accused of making false claims against an ED grant in the amount of $25,000. In lieu of prosecution the subject agreed to repay $25,000 and to never again be the principal official on a Government grant (page III-4).

- During December 1982, a 33-count indictment was handed down by a Federal grand jury charging the three principal officers of a collection agency with embezzlement, mail fraud and conspiracy. Their firm serviced over $200,000 in student loan accounts for a group of colleges in the area. Two of the individuals pleaded guilty to charges of conspiracy and mail fraud. The third individual received a pre-trial diversion, having played only a minor part in the scheme. A sentencing date for the two who pleaded guilty has not been set (page III-6).

CHAPTER I

MANAGEMENT IMPROVEMENT AND PREVENTION ACTIVITIES

A. INTRODUCTION

The Inspector General Act of 1978 (Public Law 95-452) states that one of the purposes in establishing the Offices of Inspector General was to "prevent and detect fraud and abuse in (agencies') programs and operations." Thus, ED-OIG's mandate involves not only activities to detect fraud and abuse, but also those designed to improve management and prevent such problems from occurring. ED-OIG's careful adherence to this twofold mandate to "prevent and detect" ensures maximum benefit to the agency and to the taxpayer in both the long and short term. Since they make up such an important part of our operations, we are devoting the first chapter of our sixth semi-annual report to a discussion of OIG activities in this area.

Generally speaking, individual OIG activities do not address only detection or only prevention. Rather, it is our goal that all OIG activities contain elements of each, addressing both the existing situations and the underlying conditions that could result in future instances of fraud, waste or mismanagement. The activities discussed herein were chosen because they clearly represent OIG initiatives which have addressed: (1) current weaknesses that permit ongoing wasteful or ineffective use of ED funds, and (2) existing conditions that could lead to fraud, waste and mismanagement in the Department's programs and operations. While sometimes difficult to quantify in terms of dollars saved or returned to the Government, these activities can result in changes leading to long-term improvements and benefits to the programs and operations of the Department.

B. RECOMMENDED CHANGES TO LEGISLATION AND REGULATIONS

Sometimes the problems disclosed through our activities are such that they can be addressed only by changing the applicable laws or regulations. OIG recommends such changes when the existing statutes and regulations appear to be an underlying cause of problems noted in audits, investigations or other activities. Such recommendations are considered as OIG prevention efforts since their implementation may preclude recurrence of the problems noted.

The recommendations discussed below relate to problems and conditions noted in our audits that can only be addressed through changes in legislation or regulations. The Department has generally agreed with our position on these matters and has proposed legislative or regulatory changes that would correct the conditions cited in our audit reports. We feel that implementation of these proposed changes would significantly improve programs of the Department.

1. Return of Advances Made to State Guarantee Agencies

In our last semi-annual report (page I-18), we reported that Federal advances to State guarantee agencies totaling about $86 million were no longer needed for their original purpose and recommended that the Department take action to recover them. These advances - made under provisions of the Guaranteed Student Loan program - had been provided initially to assist the guarantee agencies in establishing or strengthening their reserves against potential losses from defaults. Our review, however, showed that the combined reserves of the 51 agencies participating in the program amounted to $476 million and ranged from $177,000 to $112 million. These large reserves, coupled with the fact that the Federal government now reimburses the agencies for most costs associated with the program, have decreased the need to maintain the Federal advances.

Of the $86 million in advances, $21 million is outstanding under advance payment authorizations made in 1965 and 1968, and $65 million is outstanding under a 1976 authorization. The advances made under the 1965 and 1968 authorizations may be recovered at the Secretary's discretion, but the 1976 advances would require a change in legislation before recovery could be effected. We therefore recommended such a change so that the Department could take action to recover the advances.

The Department agreed with our recommended change to the law and in March transmitted to Congress proposed legislation which would allow the Secretary to recover the 1976 advances at his discretion. We believe that this legislative proposal - contained in the "Student Assistance Improvement Amendments of 1983" - would enable improved administration of Federal funds by reducing the Federal debt by the amount of funds returned, potentially $86 million, and eliminating the unnecessary annual interest costs on these funds.

2. Migrant Education Eligibility Requirements

As a result of audit work involving the Migrant Education program discussed in our last semi-annual report (see page I-7), we identified a need to revise applicable regulations defining eligible migrant children. We felt that the number of children identified as currently migrant was being materially overstated because the regulations permitted the counting of children who should not have been considered as migrants. Regulations now in effect define a currently migratory child as one ". . . who has moved within the past twelve months from one school district to another. . . ." This definition classifies as migrants those children who move during the summer months - i.e., between school years - and, therefore, encounter no disruption of their education as a result of the move.

In response to our recommendation, the Department subsequently proposed changes to these regulations in a notice of proposed

rulemaking published on December 3, 1982 (NPRM for Chapter 1 of the Education Consolidation and Improvement Act of 1981). In the proposed change to the regulations, eligibility would be restricted to only those children whose education is actually disrupted by a move. While recent legislation has been introduced in both the House and the Senate (H.R. 1035 and S. 112) which would nullify provisions of the NPRM - by requiring that the eligibility criteria contained in current regulations be retained - we continue to believe that the proposed changes are necessary for the effective operation of the program.

OIG audits, an ongoing GAO review and a recent study of the Migrant Education program have all shown that, as a result of the current eligibility provision, significant numbers of children were being served whose education was not disrupted by migrancy. In fact, a GAO draft report estimated that in excess of $100 million may have been used in fiscal year 1982 to serve these children. In our opinion, such children are not truly migrants as envisioned by the current law and their inclusion in the migrant statistics only dilutes the funds available to help those children who actually move between school districts during the school year.

C. PROGRAMMATIC INITIATIVES

OIG audits and investigations may in some instances result in recommendations for change and improvement in entire programs. While sometimes difficult to quantify, these recommendations may result in broad programmatic improvements that could save millions. Such initiatives address a variety of problems and situations and vary in both purpose and expected outcome. Ultimately, they may result in changes to legislation or regulations such as those discussed in the preceding section.

1. Recommended Legislative Improvements to Student Loan Programs

The student financial aid programs, because of their size, complexity and high potential for fraud and mismanagement, have caused the OIG - since its establishment in May 1980 - to devote much of its effort to audits, investigations and other activities involving these programs. For these reasons, we have also been very interested in the Department's legislative initiatives in this area. In particular, during the past six months, OIG has worked with other offices in the Department to develop proposed legislation that would improve the operations of ED's student loan programs - the National Direct Student Loan (NDSL), Guaranteed Student Loan (GSL) and Federally-Insured Student Loan (FISL) programs.

By participating in this process, OIG was able to make recommendations and consider the proposals of other offices in light of its audit and investigative experience with these programs. We feel that the legislation resulting from this cooperative effort will

be a major step toward improving the making, disbursing and collecting of loans. The specific legislative proposals discussed below represent a cooperative effort by OIG and a number of ED offices.

Specifically, this legislation would improve internal controls over the making and disbursing of loans and would improve requirements on collection activity to ensure greater timeliness and results. The most significant of these front-end improvements would include allowing institutions and lenders to require endorsers on NDSL and FISL loans (guarantee agencies under GSL are already permitted to require endorsers) and requiring that GSL checks be sent to the schools with students named as co-payees (already required under FISL). In our opinion, these provisions would help to ensure that borrowers use the funds for the purposes intended and would also lessen the likelihood of default.

Other provisions of this legislation would improve and add to loan collection tools available, and would increase the aggressiveness of loan collection efforts and minimize the time that is lost in the process when the holder of a note does little in the way of collection activity before referring it to ED. Specific legislative provisions would allow the Secretary to require that NDSL and GSL loans be assigned to the Department under certain conditions; require guarantee agencies to report GSL defaulters to credit bureaus under certain conditions (a similar provision already exists under FISL); and allow the Secretary to utilize private attorneys in performing litigation on assigned or referred loans.

2. Prevention and Detection of Fraud and Abuse by Guarantee Agencies

In another student loan effort, OIG recently initiated a project to ensure that guarantee agencies take a more active role in preventing, detecting and investigating fraud and abuse in their administration of the Guaranteed Student Loan (GSL) program. This project was started as a result of our contacts with guarantee agencies which disclosed that these agencies could become more actively involved in efforts to prevent or detect fraud and abuse, and to refer possible criminal violations to investigative agencies.

In initiating this project, the OIG has taken steps to assist the agencies in developing a basic screening process for all GSL applications. The screening process makes use of two Department of Health and Human Services computer programs which identify invalid or unissued social security numbers. The agencies use these programs to pull out suspect applications prior to approval of the loans so that additional verification can be accomplished before loan disbursement. To date these programs have been made available to guarantee agencies representing a total of 21 States. The OIG is continuing to work with these agencies in order to assess the effectiveness of the screening process and will continue efforts to involve more guarantee agencies.

3. Reviews of Bilingual Education Program

During the past two years, the OIG has audited a number of bilingual education projects at both State and local educational agencies. Generally, these reports have shown that local educational agencies have not always complied with essential grant requirements of the program. As a result of the findings and recommendations in these audits, Departmental offices - the Office of Bilingual Education and Minority Languages Affairs (OBEMLA) and the Office of General Counsel - have taken actions to improve the operation of the program.

In response to our concerns, OBEMLA has taken steps to strengthen application requirements and clarify grant requirements under the program. In regard to the latter, we noted in our audits that in many cases, local educational agencies had failed to comply with program criteria because they did not correctly understand these criteria. OBEMLA took action to clarify these requirements in letters to its grantees. This will help to prevent similar problems in the future.

In addition, the Department's Office of General Counsel has issued several opinions on the Bilingual Education program which more clearly define the intent and expectations of the Bilingual Education Act. Some of these clarifications have been incorporated into proposed amendments to this Act which the Department recently sent to Congress

D. OTHER PREVENTIVE AND MANAGEMENT IMPROVEMENT ACTIVITIES

1. Internal Control Reviews

The Federal Managers' Financial Integrity Act and Office of Management and Budget Circular A-123 require that executive agencies perform internal control reviews on an ongoing basis covering those agency programs and operations found to be most vulnerable to fraud and mismanagement. The OIG has worked closely with the Department in the implementation of its program to meet these requirements as discussed below.

The Deputy Inspector General is serving as an ex-officio member of the Steering Committee which provides policy guidance and direction to the Department's internal control task force. In addition, the Director of Fraud Control assisted the task force on a temporary detail. The task force - working in conjunction with ED's principal offices - identified over 650 inventory items in the Department for vulnerability assessment. The most vulnerable of these activities were then identified for internal control reviews.

The OIG has also agreed to participate in the performance of eight internal control reviews of selected programs and operations. In addition to participating in these reviews, the OIG will conduct a review of the Department's overall implementation of the Act and

A-123. OIG is also assisting in the Department-wide internal control training program for program managers.

2. Cooperative Initiatives Between the Office of Inspector General and the Office of Postsecondary Education

The Office of Inspector General is also undertaking a new, cooperative effort with the Office of Postsecondary Education (OPE) to improve prevention of defaults in guaranteed student loans and national direct student loans and to reduce fraud, waste and mismanagement and make other improvements in the student financial aid programs. This effort will include joint participation in program reviews and audits, joint training and increased communication among student assistance, audit and investigative staffs. A total of 50 initiatives have been identified at both headquarters and regional levels. In addition, several regions are undertaking special projects which may be expanded to other regions during the year.

We believe that these initiatives can significantly improve programmatic knowledge and the relationships between the two offices. Specifically, they should familiarize OPE institutional and lender reviewers with audit techniques which could be used to produce better review reports. The initiatives should also improve OIG staff understanding of program review procedures and techniques, thereby improving OIG's ability to quickly identify problems in student aid programs. Further, greater sensitivity by OPE staff to indicators of fraud will result in a closer coordination between our offices and more timely referrals to the OIG.

3. Prior Participation Project

In order to prevent fraud, waste, and abuse, and better assist Departmental officials in administering contracts and grants, OIG has initiated a prior participation project. The purpose of this project is to ensure consideration of a potential contractor's or grantee's prior participation in ED programs before it receives a new award. When a previous recipient of ED funds - which has been the subject of an OIG audit or investigation - applies for a grant or contract, OIG will make the relevant audit or investigative material available to Departmental officials for review before a new award is made.

As a first step in the process, we are developing audit and investigative data bases to identify contractors and grantees who have been subjects of audits or investigations since the Department's inception in May 1980. Upon establishment of the data bases, we plan to develop a Departmental directive requiring that the prior participation files be reviewed before the award of any contract or grant. This will provide needed assurance that OIG's prior audit and investigative experience with prospective contractors or grantees is fully considered and evaluated before they are given any additional awards.

4. Management Implication Reports

The OIG recently formalized internal procedures requiring that a "management implication report" be prepared whenever an investigation uncovers a significant program deficiency or incident of mismanagement. The report will describe the program or system weaknesses and the mismanagement or potential for fraud and abuse. The report will also contain recommendations for the correction of the deficiencies. These management implication reports are intended to assist the Department by providing early notification of systemic weaknesses or underlying conditions that contributed to the problem uncovered.

CHAPTER II

AUDIT ACTIVITIES

A. INTRODUCTION

During this period, audit resources were used to provide the Department with a varied program of internal and external audits. We placed major emphasis on accomplishing internal audits of various Departmental activities. Considerable audit effort was also expended in conducting grantee audits in the areas of Elementary and Secondary Education, Postsecondary Education and Special Programs, in overseeing audits performed by independent public accountants and in assisting OIG's investigative effort in the conduct of major cases.

Efforts in these areas have resulted in numerous recommendations which should improve the overall administration and operation of the Department's programs. Our audits also include recommendations aimed at recovering monies which were not spent in accordance with the terms of the grants or contracts.

Summary statistics and highlights of major audits and related activities are presented in the following sections.

B. SUMMARY STATISTICS

Measures of audit output and productivity for this period follow:

Reports Issued/ Processed	2,556
Recommended Costs Questioned/Disallowed (in millions)	$20.6
Recommended Costs Questioned/Disallowed Sustained (in millions)	$48.8
Potential Cost Avoidance (in millions)	$ 4.3
Actual Cost Avoidance	$538,000
Recoveries (in millions)	$ 4.0

Reports issued or processed this period increased to 2,556, up from 1,118 in the last period. This was due to the significantly higher number of audits done by independent public accountants on postsecondary institutions. Because such audits are performed every two years at times established by the institutions, the number of reports received fluctuates from period to period.

Reports issued or processed this period include financial and compliance audits of grantee operations and institutions of higher education, internal reviews of Departmental programs and operations and audits of ED contractors.

Costs recommended for disallowance or questioned in these reports represent Federal funds which were not spent in accordance with legislative requirements or with the terms of grant and contract provisions. Following is a schedule by operating component showing audit reports issued or processed by OIG and related costs recommended for disallowance or questioned.

SCHEDULE OF COSTS DISALLOWED/QUESTIONED
BY OPERATING COMPONENT
(Dollars in Millions)

Action Office	Number of Reports	Recommended Cost Disallowances	Costs Questioned
Postsecondary Education	2,334	$4.6	$ 4.4
Assistance Management and Procurement Services	165	1.7	3.7
Elementary and Secondary Education	20	3.0	.7
Special Education and Rehabilitative Services	15	.5	1.9
Other	22	.1	-
TOTALS	2,556	$9.9	$10.7

Some of the more significant audits in these program areas are described in the next section of this report.

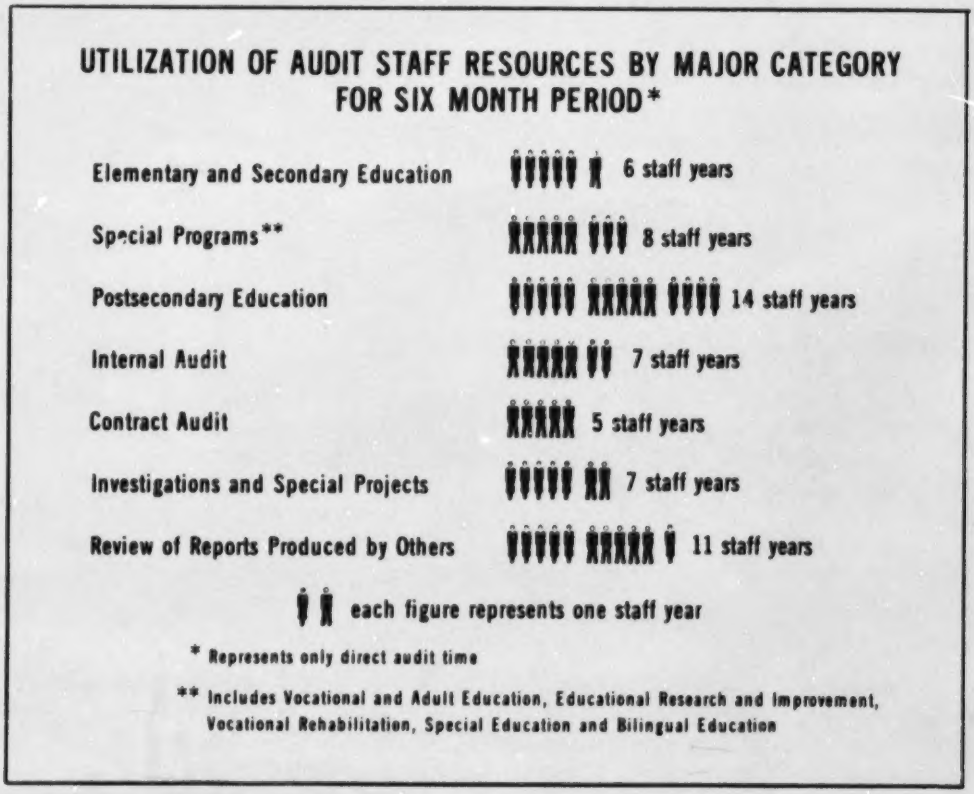
Audit reports issued this period represent both those audits completed by our own staff and those processed by us which were completed by other Federal auditors, State and other governmental auditors, and independent public accountants. Following is a schedule showing the sources of all reports issued or processed and costs recommended for disallowance or questioned by Federal or non-Federal audit groups.

SOURCE OF AUDITS ISSUED
(Dollars in Millions)

	Number of Reports	Recommended Cost Disallowances	Costs Questioned
Federal Auditors			
ED-OIG	137	$6.8	$ 3.9
Others	30	.4	1.6
State and Other Non-Federal Auditors	127	.1	2.2
Independent Public Accountants	2,262	2.6	3.0
TOTALS	2,556	$9.9	$10.7

C. ALLOCATION OF AUDIT RESOURCES

Direct audit time devoted to major Departmental programs and activities is depicted below.


UTILIZATION OF AUDIT STAFF RESOURCES BY MAJOR CATEGORY FOR SIX MONTH PERIOD*
Elementary and Secondary Education
6 staff years
Special Programs**
8 staff years
Postsecondary Education
14 staff years
Internal Audit
7 staff years
Contract Audit
5 staff years
Investigations and Special Projects
7 staff years
Review of Reports Produced by Others
11 staff years
each figure represents one staff year
* Represents only direct audit time
** Includes Vocational and Adult Education, Educational Research and Improvement, Vocational Rehabilitation, Special Education and Bilingual Education

As indicated above, audit resources were primarily used in the areas of Special Programs, Postsecondary Education and in the review of reports produced by others. The allocation of our audit resources in these areas continues to provide a good return on our investment through recovery of costs disallowed and questioned. More importantly, efforts in these areas have provided ED management with numerous recommendations for correcting underlying conditions contributing to the problems noted, thereby avoiding unnecessary costs in the future.

In keeping with our audit oversight responsibilities, we also used approximately eleven staff years of effort on desk reviews and quality control reviews of audit reports prepared by others. These reviews are made in conformance with the Inspector General Act which requires that we ensure that the audit reports and actual audit work performed for us by non-Federal auditors meets the standards established by the Comptroller General for audits of governmental organizations, programs, activities and functions.

D. HIGHLIGHTS OF SIGNIFICANT AUDITS

Following are examples, by major program area, of some of the more significant audit findings included in the reports issued this period. The findings include a wide range of deficiencies in the administration of ED programs and activities by State and local governments, educational institutions, profit and nonprofit organizations, and Departmental headquarters and regional offices. These deficiencies range from poor accounting practices and inadequate administration of program activities to misuse of Federal funds and have resulted in recommended disallowances and questioned costs.

1. Elementary and Secondary Education

Major program areas administered by the Office of Elementary and Secondary Education include assistance in operating programs for educationally deprived children and assistance to States and local school districts in improving educational quality. By far, the largest program administered under Elementary and Secondary Education is Chapter 1 of the Education Consolidation and Improvement Act (formerly Title I of the Elementary and Secondary Education Act of 1965).

The purpose of Chapter 1 is to provide Federal assistance to local education agencies for planning and operating programs for educationally deprived children in areas having a high concentration of children from low-income families. The local education agencies are responsible for developing and implementing projects to fulfill the intent of Chapter 1. For fiscal year 1982, $2.9 billion (representing about 20 percent of the entire Departmental budget) was awarded for Chapter 1 programs.

We issued 20 reports on programs in Elementary and Secondary Education during this reporting period. These reports recommended disallowances of $3 million and questioned costs of $700,000.

a. Inappropriate Conference and Travel Costs Lead to Abuse of Title I Program

Two audits of conference and travel costs in one State disclosed significant misuse of Title I funds and recommended the refund of $1.2 million. The audits - one a review of the State department of education, the other a review of costs incurred by a single local education agency - noted numerous instances where the Title I program had been improperly charged for travel and attendance at conferences and meetings. The charges were not allowable for reimbursement because they did not relate primarily to Title I.

In our audit at the State department of education, we found that the local education agencies had inappropriately charged 22 of 36 conferences and board of education meetings between April 1978 and June 1980 to the Title I program. These inappropriate expenditures - amounting to $743,000 - occurred primarily because the State adopted a policy contrary to the regulations that allowed the local education agencies complete discretion in determining whether conferences and meetings were relevant to the Title I program. While some of the conferences may have been worthwhile, we considered them neither reasonable nor essential to the efficient and effective operation of the Title I program.

Our review of travel and conference costs at the local education agency disclosed that most of the trips charged to the Title I program during fiscal years 1980 and 1981 were not allowable. Furthermore, we considered that many of the trips had such little relationship to the Title I program that the misuse of funds constituted an abuse of the program. Of the $480,000 in travel and conference costs reviewed - including field trips, admission costs and mileage fees - we found that $418,000 was unallowable. In addition, indirect costs totaling $16,000 related to the ineligible travel costs were also unallowable.

Examples of costs charged that were improper or unallowable included the following:

- A trip to Reno, Nevada for a workshop on how to write grant proposals;
- Educational tours to Washington, D.C., New York, San Francisco, and Mexico City for a total of over $25,000;
- Numerous trips to amusement parks and related entertainment events, including a field trip to a professional basketball game for 300 students and 50 adults;

- The expenditure of nearly $7,000 for bus transportation and dinner at a famous restaurant. The event was the junior high prom; and

- A trip to Hawaii consisting of workshops on time management and other unrelated subjects and of excursions to a religious temple, an arboretum and a foreign cultural center.

As a result of the inappropriate expenditures cited in the two audits, we recommended that the State refund a total of $1.2 million. We also recommended that the State review travel and conference costs charged to Title I by the school district in 1979 and 1982 and refund any unsupported amounts. In addition, we made procedural recommendations that the State establish criteria regarding allowability of travel and conference costs and that it monitor local education agencies to ensure compliance.

While the State generally disagreed with our recommendations, it did not dispute the facts presented in the two audits. ED program personnel generally concurred with the findings and recommendations and are working to resolve these issues with the State.

b. Recommended Disallowance of $407,000 Due to Funding Noncomparable Title I Schools

Audits of the ESEA Title I program in two school districts disclosed that services provided to Title I schools were not at a level comparable with services provided to non-Title I schools. In order for school districts to receive Title I funds, Federal regulations require that State and local funds provided to Title I schools be at a level comparable with those provided to non-Title I schools.

Our review of the comparability reports for these two school districts disclosed that a total of four Title I schools did not meet the comparability requirement. We found that the four Title I schools received from $64 to $149 less per student in State and local funds than was provided per student in non-Title I schools. As a result, we recommended the disallowance of $407,000 in Title I funds received by the four schools found to be in noncompliance. Program officials in the Office of Elementary and Secondary Education are currently resolving the finding on the two school districts.

c. State Acts to Credit $251,000 to Federal Account in Response to Audit

We conducted another audit to determine whether a State was administering the Title IV-C program in accordance with applicable laws and regulations and to assess its system of internal controls over financial transactions and monitoring of sub-grantees. Title IV-C of the Elementary and Secondary Education Act targets funds to support locally initiated projects and activities designed to improve educational practice.

While it was generally in compliance with Federal laws and regulations, we noted weaknesses in the State's internal control system which resulted in overstated expenditures because advances made to subgrantees were not accounted for. As a result, we recommended the disallowance of $110,000 and questioned another $732,000. We also recommended that further actions be taken to detect and prevent material errors or irregularities.

Subsequent to completion of the audit field work, the subgrantees provided the State with accurate expenditure reports. This action, with refunds of $251,000 credited to the State's Federal program accounts, has resolved all of the questioned amounts. The State also agreed with our procedural findings as presented in the report.

2. Student Financial Assistance

Student Financial Assistance programs are administered by the Office of Postsecondary Education and provide financial aid to individuals to obtain education or training beyond the high school level. In fiscal year 1982, the financial aid programs totaled about $6.6 billion in grants, direct loans, interest on loans, loan guarantees and earnings through work-study programs. There are approximately 6,500 institutions of higher learning participating in the Department's Student Financial Assistance programs.

During the six-month period covered by this report, the OIG issued or processed 2,334 audit reports on postsecondary education programs, most of which concerned administration of the Student Financial Assistance programs. These reports recommended disallowances of $4.6 million and questioned costs of $4.4 million.

In addition to audit work involving the Student Financial Assistance programs, the bulk of OIG's investigative workload is comprised of cases in this area. (Refer to Chapter III of this report for more information.)

a. Audits Disclose Inadequate Management and Accountability Over Federal Advances

Audit reports issued this period on two State guarantee agencies - one a final report, the other a letter report on an audit in progress - disclosed significant weaknesses in these agencies' administration of the Guaranteed Student Loan (GSL) program. In the first audit, we found that the agency needed to improve certain aspects of its financial and programmatic management. Specifically, we noted a lack of accountability over $5.4 million in Federal advances and accrued interest. We estimated that an advance fund balance of only $1.5 million would have been sufficient to meet the needs of the agency for such reserves and, therefore, recommended that the agency return the balance of $3.9 million to the Federal government.

We also found overpayments of other GSL funds to this agency in the amount of $1.4 million. These consisted primarily of reinsurance payments which were identified as overpayments and excess administrative cost allowances which resulted from the agency's failure to fully offset administrative costs with retained collection receipts.

In another ongoing audit, we issued a letter report on a guarantee agency's management of Federal advances totaling $4.2 million. We found that this agency had failed to properly account for these advances and had failed to segregate funds advanced under two GSL statutes as required. As a result of the agency's failure to comply with program requirements, we were unable to determine whether the advances and the investment earnings on them had been used for the intended purposes. Therefore, we recommended that the agency support the need for these advances and refund to the Department any advances in excess of its needs.

The findings in these audits relating to GSL advances confirmed an internal audit discussed in our last semi-annual report (page I-18). In that report we recommended that actions be taken to initiate recovery of $86 million in unneeded GSL advances held by guarantee agencies nationwide.

b. Audit of School Discloses Various Weaknesses in Administration of Student Aid Programs

In our audit of a postsecondary institution, we found that the school needed to improve its management practices in order to properly administer the student financial aid programs. The school had not ensured the effective control and proper utilization of student aid funds and had failed to furnish data to ED officials that was consistently accurate and properly supported.

Specifically, we found that the school had not fully complied with prescribed procedures for awarding student aid funds for most of the student files sampled. Consequently, we questioned the disbursement of $112,000 in Federal funds and recommended that this amount be refunded or resolved with the appropriate ED officials.

We also found that over 38 percent of the students at the school had withdrawn before completing their education. This exceeded the 33 percent rate indicating administrative impairment under Federal regulations. The school also had an excessive default rate under the National Direct Student Loan program and had failed to comply with Federal regulations concerning due diligence. Finally, because of inaccurate data reported to ED and a computational error by ED, the school received student aid funds in excess of needs by $81,000. We recommended that the school also resolve this amount with program officials.

c. Procedural Findings in Audits of Student Financial Assistance Programs

During this period, several audits of postsecondary institutions and lenders disclosed several significant areas of non-compliance with laws and regulations. These areas will be further reviewed in future audit work as noted below.

- Satisfactory Progress Standards Not Established or Enforced

  Students must be making satisfactory academic progress - according to criteria established by the institution - in order to be eligible to receive student aid funds. In audits of five institutions conducted this period that dealt in part with this issue, we found that two of the institutions did not have well-defined or reasonable progress standards and three other institutions had failed to apply their published satisfactory progress standards. As a result, financial aid payments were made to ineligible students at all five schools. In these instances, the schools were asked to develop and publish standards in coordination with the ED program office, to use the standards to determine eligibility for aid, and to refund to ED any payments which were made to ineligible students.

- Students Receiving Financial Aid Without Documentation of Ability to Benefit from the Education or Training

  Prior to making financial aid awards, schools are required to determine that students who do not have high school diplomas or GED certificates have the ability to benefit from the education or training offered. Audits of five schools disclosed various weaknesses in the schools' determination of students' ability to benefit from the programs offered. While written policies at all five schools required that applicants take written entrance examinations, auditors found at three schools that students had been admitted who failed the admissions tests, and at two schools that errors had been made in scoring the test. Furthermore, the auditors found that many students admitted who did not meet the written admissions policies subsequently dropped out or were terminated by the school.

  We believe that the types of deficiencies identified here - along with deficiencies noted in the determination of satisfactory academic progress discussed above - may be prevalent, and we plan to look further at the award of aid to ineligible students.

- Weaknesses in System Used to Determine Enrollment Status of Students

  Under the Guaranteed Student Loan (GSL) program, the conversion of a student loan to repayment status is predicated upon an expected graduation date which is determined at the time the loan is approved by the lender. Borrowers are required to notify lenders when their enrollment status changes. Regulations also require that schools report such changes to the lenders. Timely conversion of loans to repayment status requires the active involvement of the guarantee agencies, lenders, schools and borrowers to monitor, verify and report changes in student enrollment status.

  In audits conducted over the past year at six lenders participating in the GSL program, we noted a lack of timeliness in the conversion of loans. This condition resulted in increased program costs of about $478,000 to the Federal government through excessive interest and special allowance payments, and contributed to increased defaults because of delayed due diligence in collecting on the loans. Additional audits of State guarantee agencies and lenders this year will include examinations of systems employed by lenders and guarantee agencies to determine student status.

3. Bilingual Education

Bilingual education is authorized by Title VII of the Elementary and Secondary Education Act and consists of several different programs designed to increase the English-language skills of children whose proficiency in English is limited. In fiscal year 1982, $138 million was authorized for bilingual education programs. A key element in these programs is improving the capacity of State and local school districts to implement and maintain programs of bilingual instruction that can be carried on when Federal funding is reduced.

Expenditure of $818,000 in Bilingual Education Funds Fails to Further Intent of Program

In audits of two separate school districts, we found that bilingual education funds had not been used to improve the English language skills of children with limited English proficiency. Contrary to the statute and regulations governing the program, the districts used the funds to further students' understanding of a foreign language or culture and provided little instruction in English. Further, more than 40 percent of the students participating in the project were not limited English proficient, also contrary to the statute.

In one school district, the bilingual education project consisted primarily of an instruction program enabling children knowing little, if any, French to acquire and develop French language skills. Participating students at three schools attended French classes taught by Title VII-funded teachers. We were advised by these teachers that about half of their instructional time was devoted to French language instruction and that the remaining time was devoted to science, social studies and various activities related to the school district's French cultural heritage. We also noted that the number of non-limited English proficiency participants constituted more than the 40 percent permitted under the program statute. Based on available documentation, participation of non-limited English proficiency students was more than 54, 95, and 80 percent respectively for the three project years reviewed.

We found similar conditions in our review of another school district. This project was designed to enable children to be proficient in their second language, Japanese, and to teach them about their cultural heritage. We similarly noted for the three project years reviewed that the district substantially exceeded the 40 percent limitation for participation by non-limited English proficiency children. Such participation was approximately 60, 62, and 65 percent, respectively.

As a result of our findings, we recommended the refund of a total of $818,000 used to fund the ineligible projects. Program officials are currently working to resolve the findings and recommendations in our audit.

4. Contracts and Discretionary Grants

The Department awards contracts and discretionary grants to State and local governments, educational institutions and profit and non-profit organizations. In fiscal year 1982, ED awarded some 11,000 such contracts and grants totaling over $3 billion. OIG provides the Department with a variety of audit services relating to these contracts and grants, including audits of cost proposals and contract closing statements. These services are provided directly by ED-OIG or by other Federal audit offices or independent public accounting firms under contracts administered by the OIG.

During this reporting period, OIG issued 165 contract and grant audit reports that recommended disallowances of $1.7 million and questioned costs of $3.7 million. These audits also identified potential cost avoidances of about $1.7 million on pre-award audits. Contract and grant audits continue to be effective in identifying and avoiding potential waste and abuse in the Department's procurement activities as illustrated below.

a. Misuse of Federal Funds by a Major Department of Education Contractor Disclosed by Closeout Audit

An audit of a major Department of Education contractor, recently released from continued performance on several Federal grants and contracts, disclosed serious financial and compliance deficiencies in managing and accounting for Federal funds. The contractor had received over $3.1 million in Federal funds from the Departments of Education, Health and Human Services and Interior during 1981 and 1982 to provide Indian education services. Of this amount, over $700,000 was determined to have been misappropriated and was recommended for return to the appropriate Federal agencies.

Specifically, the audit disclosed that over $325,000 in Federal funds could not be accounted for and had apparently been diverted to other corporations owned by the contractor, or used for the contractor's personal gain. The audit also disclosed that the contractor had failed to provide in-kind matching contributions necessary to earn about $118,000 of Federal grant funds. The proposed matching was considered unallowable because it had already been claimed and reimbursed on other grants and contracts.

In addition, the contractor had improperly charged the Federal contracts about $268,000 in costs that were unallowable. The unallowable charges included: salaries claimed in excess of amounts paid to employees, salaries and fringe benefits which were duplicated on other grants and contracts, unsupported consultant costs, duplicate travel costs, space rental costs not benefiting Federal grants or contracts, and unallowable indirect costs.

As a result of the audit, Departmental officials decided not to award additional grants and contracts to this contractor. Also, the Department is holding unpaid vouchers from the contractor to effect partial recovery of the misappropriated Federal funds.

b. Unapproved Expenditures Lead to Disallowed Costs of Over $200,000

An interim audit of a major West Coast contractor covering over $13 million of claimed direct costs disclosed that prior approval was not obtained from the contracting officer for over $200,000 in consultant costs, contrary to the provisions of the contract. In addition, the propriety of over $200,000 in travel costs charged to the contract could not be readily established by auditors. The auditors recommended that costs of $213,000 be disallowed, and that the contracting officer review the travel charges to determine whether they, in fact, benefited the contract.

5. Internal Audits

During the reporting period, the OIG initiated twelve internal audits and issued three final and three draft reports on internal

operations of the Department. In addition, OIG continued its participation in two President's Council on Integrity and Efficiency (PCIE) audit initiatives and completed a review in another PCIE project concerning property held by contractors and grantees. Results achieved on the three final reports issued are described below, along with an update on the status of the computer match project to identify Federal employees in default on student loans. This section also provides brief descriptions of some of the more important audit initiatives begun this period.

a. Need to Improve Monitoring of Contract for Conference Management

An audit of procedures in use by the National Institute of Education to monitor a major contract for conference management services disclosed that monitoring of the contractor's performance was inadequate. Additionally, the audit showed that the approved overhead rate was in excess of the rate negotiated by the cognizant Federal audit agency. As a result, the terms of the contract were not being met and a significant portion of the costs charged to the contract were inappropriate. Further, since the contractor filed for bankruptcy on May 14, 1981, many of the inappropriate costs charged had to be absorbed by the Federal government.

The lack of effective monitoring is illustrated in part by our review of costs charged to the basic ordering agreements by the contractor between January 1, 1980 and May 14, 1981. This review showed that the contractor:

- Had not reimbursed over 300 conference participants for travel expenses and honorariums even though it had been advanced nearly $71,000 for the purpose;
- Had not returned nearly $25,000 in unused advances as required under the terms of the contract;
- Had used an undetermined amount of Federal funds to support other business entities and loaned over $100,000 to three corporate officers;
- Had overstated salary claims by about $23,000; and
- Had been overpaid about $20,000 in indirect costs because the National Institute of Education used an incorrect overhead rate.

To prevent the recurrence of these conditions in the future, we recommended that the National Institute of Education: develop tighter controls over funds disbursed to contractors, discontinue its on-site payment procedures, require its contractor to submit vouchers every two weeks, and inform project officers of their responsibilities in monitoring the financial aspects of contracts that they administer.

With the exception of our recommendation concerning on-site payments, program officials generally agreed with our findings and recommendations and stated that corrective action will be taken to avoid these problems in the future.

b. Need for Improvements in Management and Control of New Data Processing Systems or Applications

Reviews of two data processing systems were performed this period to determine whether system design, development and overall operations were achieving the objectives of adequate internal controls and effective auditability. Reviews of this nature are considered essential to prevent the possibility of fraud, waste or abuse once the systems become operational. The results of our reviews in this area follow.

- We completed an initial review of the development, conversion and implementation of the Education payroll and personnel system referred to as ED/PAY/PERS. Basically, the system consists of using the Department of Interior's payroll and personnel system with initial processing done by Education. Our review disclosed that there was no formal project plan for the conversion of payroll and personnel data from the Department of Health and Human Services to the Interior system. Consequently, there was no assurance that target dates, decision points and assigned responsibilities would be met or carried out in accordance with the stated objectives.

  We also found a need to establish more effective control over the conversion of data from the Department of Health and Human Services data base to the Interior data base to ensure that errors are identified and corrected. We further noted that a system documentation library was not established as required by Education Automated Data Processing Standards. In the absence of a system documentation library, ED may not be able to properly maintain or modify the system, provide accurate reliable and useful results or conform to regulatory requirements. Program officials have generally agreed with the deficiencies noted and have agreed to implement our recommendations for corrective action and/or adopt appropriate alternatives.

- Our review of the development of the computerized Education Payments System disclosed that management of the project was inadequate, system documentation had not been developed, system testing was not controlled and system security needs had not been identified and developed. To overcome these deficiencies, we recommended that a project leader and project team be

appointed and assigned responsibility to properly manage and control the system development. Program officials generally agreed with our recommendations and advised that responsibilities had been assigned for planning and monitoring of system testing, approval of documentation by ED standards and development and implementation of system security, as required by Federal and Departmental standards. These officials also advised that additional actions will be taken to satisfy our concerns as the system continues to be developed.

c. Update on Computer Match Project - Federal Employees in Default on Student Loans

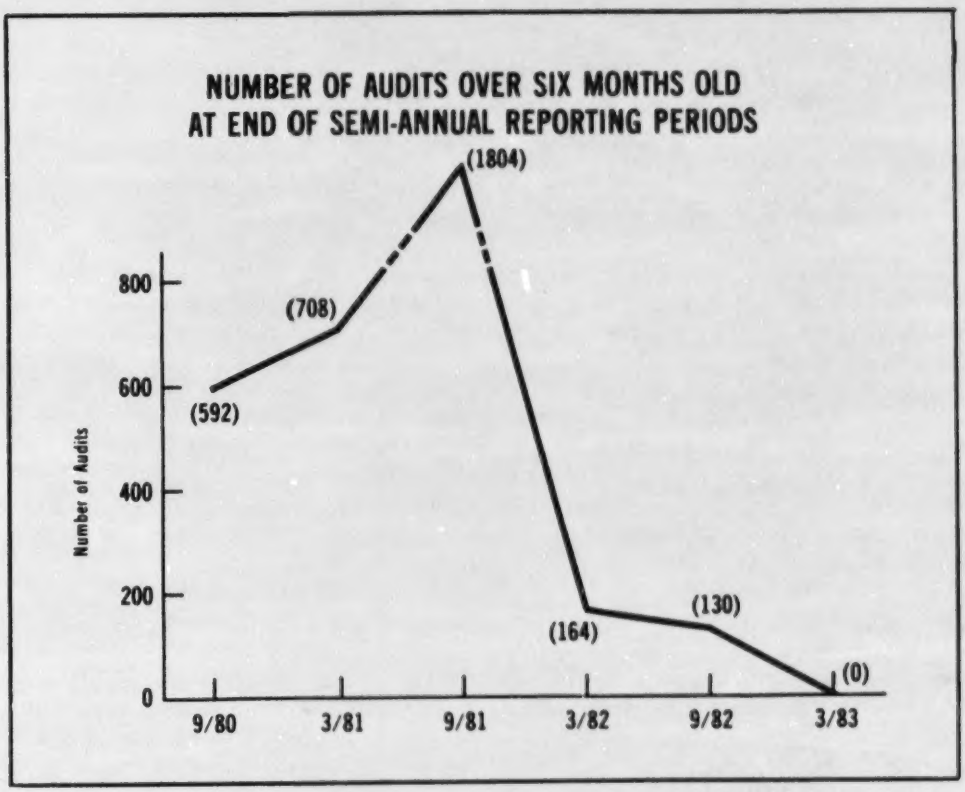
In the prior semi-annual report (page I-20), we described our computer matching project to identify Federal employees who are in default on student loans. The match - which was conducted in the last reporting period - identified 46,860 current and retired Federal employees, who are holding 50,393 defaulted loans valued at almost $68 million. During this period - after loan accounts were reviewed to assure that the records were accurate - the Department of Education initiated follow-up and collection actions to ensure maximum recovery of the delinquent debts. Each defaulter was subsequently mailed a notice requesting that he or she contact the Department to resolve the debt.

Every effort is being made to work with those who deny or dispute their liabilities. If defaulters fail to respond to the notices, the employing agencies will be contacted to counsel the employees about their indebtedness. Where appropriate, cases will be referred to U.S. Attorneys for enforced collection. In addition, the Debt Collection Act of 1982 gives Federal agencies authority to collect such debts through salary offset.

E. AUDIT RESOLUTION AND RECOVERY OF FUNDS

1. Resolution of Audit Reports

As a result of the concerted efforts of the Secretary of Education, Departmental officials and the OIG, there are no longer any unresolved audits over six months old. This is a considerable achievement considering that there were a total of 1,804 unresolved audits over six months old as of September 30, 1981, with questioned or disallowed costs totaling $17.4 million. This improvement is indicated by the following chart.



To ensure that continued emphasis is placed on prompt resolution of audit reports, the Secretary has mandated that audit resolution be included as a critical element in the performance agreements of all Senior Executive Service and merit pay employees involved in this activity. Further, the OIG has worked closely with Department officials in the development of an audit resolution directive. This directive is in the final review stage and is expected to be issued shortly.

Audit resolution by major action office is shown in the following schedule. As in prior periods, the Office of Postsecondary Education has by far the greatest activity because of the hundreds of audit reports received each year on postsecondary institutions participating in Student Financial Assistance programs.

The total of 1,055 unresolved audits on hand at the end of this period includes questioned or disallowed costs of $18.9 million.

AUDIT RESOLUTION ACTIVITY
October 1, 1982 to March 31, 1983

Action Office	Unresolved Audits on Hand as of October 1, 1982	Action Audits Issued This Period	Audits Closed This Period	Unresolved Audits on Hand as of March 31, 1983
Postsecondary Education	419	1,120	593	943
Assistance Management and Procurement Services	75	98	86	83
Vocational and Adult Education	15	4	12	2
Educational Research and Improvement	13	6	11	6
Elementary and Secondary Education	8	13	10	9
Special Education and Rehabilitative Services	12	13	13	12
Bilingual Education and Minority Languages Affairs	5	1	6	-
Planning, Budget and Evaluation	1	-	1	-
Civil Rights	-	1	1	-
TOTALS	548	1,256	733	1,055*

* Does not include 16 reports being held for additional audit work.

2. Resolution and Recovery of Disallowed or Questioned Costs

As noted in the preceding chart, a total of 733 action reports were closed (resolved) during this six month period. In resolving these audits, ED management sustained $48.8 million, representing about 60 percent of the $82 million recommended for disallowance or questioned by OIG in these reports. Of this amount, program officials have decided to seek recovery of $21.7 million. Amounts recovered this period on audits resolved amounted to $4 million.

F. STATUS OF PRIOR AUDIT RECOMMENDATIONS

All previous recommendations reported have been resolved with the exception of those few on which additional audit information is being gathered at the request of program officials.

CHAPTER III

INVESTIGATION ACTIVITIES

A. INTRODUCTION

OIG investigations during this period again showed significant results. Indictments were returned and convictions made against various school officials, owners and student beneficiaries. In addition, fines, restitutions and settlements during this period amounted to approximately $570,000. Cost avoidance savings amounted to about $116,000. These results, coupled with the investigative initiatives described in Chapter I, demonstrate the OIG's commitment to detecting and preventing fraud and abuse in the programs of the Department.

Summary statistics and narratives on significant investigative activities conducted during this period are contained in the following sections.

B. SUMMARY STATISTICS

Following are summary statistics showing investigative output and performance measures for this reporting period:

Cases Opened	264
Cases Closed	119
Cases Referred for Prosecution	110
Cases Accepted	91
Cases Declined	19
Indictments/Informations	83
Civil Filings	1
Convictions/Pleas	67
Fines	$ 67,700
Restitutions	$477,000
Settlements/Judgments	$ 25,000
Cost Avoidance/Savings	$116,000

C. INVESTIGATION WORKLOAD ANALYSES

Following are summary data on the number of cases opened, closed and active for the period October 1, 1982 through March 31, 1983.

Cases active September 30, 1982	359
Cases opened this period	264
Cases closed this period	119
Cases active March 31, 1983	504

The cases opened during this period have been analyzed to show:

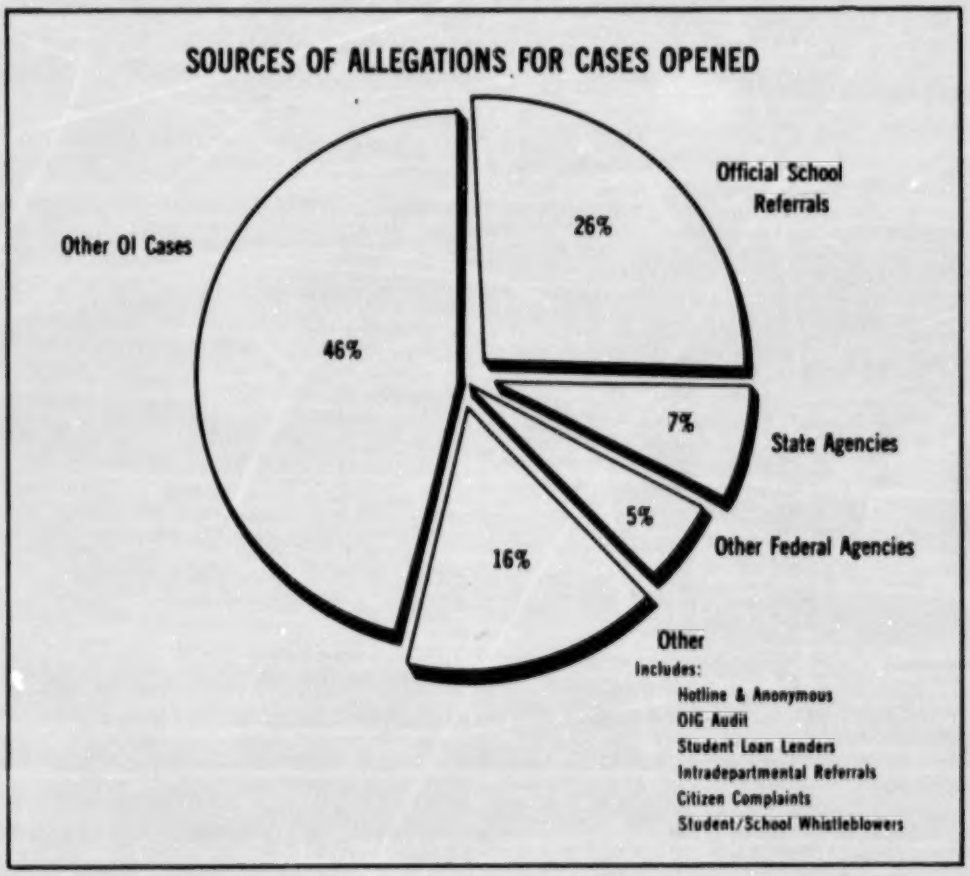
- o program areas which generate cases;
- o patterns of alleged criminal violations; and
- o major sources of allegations.

During the current reporting period, 91 percent of the 264 cases opened involved one or more of the Student Financial Assistance programs. This is an increase of 13 percent over the prior reporting period. Of the remaining cases, four percent involved other ED programs and five percent involved employee misconduct cases. The following chart shows the incidence of possible violations among the 264 cases initiated during this period (most cases involve several possible violations).

ALLEGED CRIMINAL VIOLATIONS

Description	Number of Cases in which Alleged
Student financial aid fraud	210
False statements	177
Fraud using the U.S. Mails, telephone, telegraph or false names or addresses	144
Conspiracy to defraud the U.S.	47
Bank fraud-credit information	14
Embezzlement and failure to account for public funds	13
Other Federal statutory violations	11
False claims and demands for payment of public funds	10
State or local statutory violations	8

OIG receives allegations from various sources which lead to the initiation of investigations. Following is a breakdown, by source of allegation, of OIG cases initiated during the period.



D. HIGHLIGHTS OF SIGNIFICANT INVESTIGATIONS

This section provides highlights of our investigative activity this period, an update of investigations highlighted in the prior semi-annual report, a discussion of matters referred to Departmental officials for administrative action and a discussion of certain matters relating to civil recoveries.

1. Ineligible Alien Project

ED-OIG - along with the Immigration and Naturalization Service and the Department of Justice, Criminal Division - continued to vigorously pursue its initiative to identify, investigate and prosecute ineligible aliens who fraudulently receive student aid. During this period, a total of 63 indictments/informations were returned by Federal and State grand juries in these cases. The majority of these indictments were handed down as follows:

- In January, 26 aliens were indicted by a Federal grand jury in San Francisco, California, on multiple counts of fraudulently obtaining more than $77,000 in Federal student financial aid. Thus far, 25 have been arraigned with one remaining at large.

- In March, 18 aliens were indicted by a Federal grand jury in Philadelphia, Pennsylvania, for illegally receiving about $100,000 in guaranteed student loans and Pell grants. The indictments charged the aliens with student financial aid fraud and/or mail fraud. Fourteen had falsely claimed to be "eligible non-citizens" and the remainder falsely claimed to be U.S. citizens in order to establish eligibility for the loans and grants.

Thus far this initiative has resulted in 156 indictments (137 Federal and 19 State) charging those indicted with illegally obtaining more than $724,000 in student financial aid. Of this amount, approximately $414,000, or more than half, involved the Guaranteed Student Loan program. Most of the remaining amount involved the Pell Grant program.

2. Other Cases Successfully Prosecuted or Accepted for Prosecution

- During March 1983, the OIG concluded a case against a proprietary school which offered courses to prison inmates. Investigation disclosed that Federal grants to defray tuition costs went to individuals who had been released from prison and could not have attended the classes. The funds for such students were retained by the school and reported to the Department of Education as valid disbursements.

  A Federal grand jury handed down a 57-count indictment against the school corporation and three of its principal officers during September 1982. During March 1983, a plea agreement was signed in settlement of the criminal charges. The corporation was required to pay a fine of $25,000 and to repay approximately $250,000 in improper awards as determined by an OIG audit.

- During January 1983, the former director of an ethnic cultural foundation signed a consent judgment with a U.S. attorney. The subject was accused of making false claims against an ED grant in the amount of the full $25,000. In lieu of prosecution, the subject agreed to repay $25,000 and to never again be the principal official on a Government grant.

- The former superintendent of an independent school district pleaded guilty during December 1982 to State charges of felony theft. Investigation revealed that the individual had embezzled over $50,000 in school funds, a portion of which were Federal. The subject was sentenced to serve ten years of supervised probation, fined $5,000 and court costs and ordered to make restitution.

- On October 1, 1982, an individual pleaded guilty to a two-count information charging embezzlement and aiding and abetting. Working as a researcher at a State university, the individual had his spouse fraudulently placed on the payroll when she in fact performed no work. He was sentenced to serve the time already spent in custody.

- During February 1983, an individual who had previously been granted political asylum in the U.S. was sentenced to serve one year in prison with ten months suspended. The subject had attempted to obtain a guaranteed student loan in the amount of $5,000 by using stolen identification. The subject was in default on $7,500 in prior loans at the time of this offense.

- An individual pleaded guilty during March 1983 to making false statements in connection with nearly $3,000 in fraudulent loans and grants. The individual was first indicted in May 1982, but failed to appear at a hearing. The subject was arrested in September, released on bail and once again failed to appear at a hearing. This lead to a subsequent conviction for bail jumping. In March 1983, the individual was sentenced to serve five years in prison for bail jumping and five years (suspended) for making false statements on student financial aid applications.

- The financial aid director of a school pleaded guilty during November 1982 to charges of student financial aid fraud. The subject had embezzled over $18,000 from the school's Pell grant account and forged signatures on the benefit checks of students who had dropped from school. The subject was sentenced to a one-year suspended prison sentence and four years' probation and was ordered to repay $19,000.

- During February 1983, a student pleaded guilty to charges of student financial aid fraud and making false statements. The student falsified guaranteed student loan applications by forging the school's certification on the loan applications. The student - who had received $15,000 in fraudulent loans - was sentenced to serve two years' probation and to repay the loans.

Debt collection agencies are frequently employed by educational institutions and guaranteed student loan servicing agencies to collect on delinquent loans from students. During the reporting period, the OIG investigated two such collection firms with the following results.

- o During March 1983, a guilty plea was accepted by a State court from a private attorney retained by one of the collecton agencies. The attorney had taken some $97,000 from various clients, including $27,000 in collected student loan payments. The subject was sentenced to serve 14 months in prison after having been previously debarred from the practice of law.

- o During December 1982, a 33-count indictment was handed down by a Federal grand jury charging the three principal officers of a collection agency with embezzlement, mail fraud and conspiracy. Their firm serviced over $200,000 in student loan accounts for a group of colleges in the area. During March 1983, two of the individuals pleaded guilty to charges of conspiracy and mail fraud. The third individual received a pre-trial diversion, having played only a minor part in the scheme. A sentencing date for the two who pleaded guilty has not been set.

3. Employee Cases and Matters Referred for Administrative Action

Violations of criminal law and abuses of the Code of Conduct and administrative rules by employees of the Department of Education are regarded as top priority by the OIG. Priority is given to these matters because they affect the efficiency, morale and integrity of the entire Department. The following completed investigations fall into this category.

- o As the result of a felony pre-trial hearing during November 1982, a former ED employee was bound over to local authorities on charges of theft. Investigation disclosed that the individual had been involved in the theft of office equipment. The individual pleaded guilty and in December 1982 was sentenced to one year of probation.

- o During November 1982, a former employee was sentenced to five years' probation, and was ordered to make restitution in the amount of nearly $5,000 and to perform 200 hours of community service. The individual had previously pleaded guilty to the embezzlement of checks taken from the workplace.

4. Civil Actions Concluded

While the primary mission of the Office of Investigation is to conduct investigations leading to criminal prosecution, there are

occasions when a civil action is more appropriate. During this period three such matters were either initiated or resolved in favor of the Government.

- A major regional bank had purchased the entire guaranteed student loan portfolio from a school which was the subject of an OIG investigation. It was proven that substantial refunds were due on the loans from the school prior to the date the loans were sold to the bank. An analysis of the relationship between the parties indicated that the bank should have been aware of the fact that the loans were not worth face value.

  The bank began filing claims for repayment with the Government as the students refused to pay on amounts not owed. Based on information provided by the OIG, the Department of Education denied payment of the claims and the bank filed suit. The Department then filed a counter suit for interest paid to the bank on the loan balances.

  During February 1983 both suits were concluded in U.S. District Court. The bank was ordered to pay $12,500 in interest to the Government and to withdraw its claims for repayment in the amount of approximately $197,000.

- Two individuals were involved in a scheme to defraud the Guaranteed Student Loan program by submitting approximately 90 fraudulent loan applications. The pair applied for about $200,000 during one year and $17,500 during the prior year. They received $23,500 before being detected. OIG agents noted that the sentences resulting from their criminal convictions made no mention of restitution and promptly advised the State's Attorney of the situation. A judgment against the subjects was then obtained in State court and the judge acted to nullify a quick transfer of the subjects' real property to another name. Most of the money will be recovered by sale of the property.

  An interesting aspect of this case is that the OIG had just made a computer program available to the State which would identify invalid social security numbers on student loan applications. The computer program was successful in detecting the false loan applications and prevented the remaining loan applications from being approved.

- An individual employed by a State university system served as project officer for several Federally funded programs for disadvantaged students. Over a three-year period the individual enjoyed personal gain by submitting false claims against program funds for travel and expense reimbursements. When criminal prosecution was declined, the OIG requested that civil action be pursued. The

suit, which requests judgment in the amount of approximately $10,250 plus double damages, was filed during February 1983.

- As a result of a criminal investigation, guilty pleas were entered by the principals in a scheme to defraud the Pell Grant program. The scheme involved preparation of false grant applications for a fee for otherwise ineligible students. Based on actions initiated by the United States Attorney, 37 students have repaid over $86,000 as of the close of this reporting period.

5. Update of Previously Reported Investigations

Our last semi-annual report highlighted several investigations which have been concluded with the following results.

- As a result of a successful joint effort with the FBI, the superintendent, principal and three other employees of a county school district have now been sentenced in Federal district court to incarceration, probation and - in three instances - fines for their part in a scheme to defraud the Government. The five were charged by a Federal grand jury in August 1982 with 24 counts of vote buying, election fraud, false statements and misapplication of Federal school program funds.

  The school principal was convicted by a jury in October 1982 of three counts of false statements and was sentenced to five years' probation and fined $2,500.

  In December 1982, the school superintendent and three co-defendants were convicted by a jury of vote buying, aiding and abetting and conspiracy. They were subsequently sentenced to varying prison terms and fines. The U.S. Department of Justice is pursuing the recovery of approximately $70,000 in misapplied funds through a private insurance company which bonded the superintendent.

- The owner of a beauty academy was sentenced to five years' probation, fined $5,000 and ordered to make full restitution of over $162,000 for basic educational opportunity grants the school obtained by fraud during the 1978-79 and 1979-80 school years. In a guilty plea entered in Federal district court in November 1982, the owner admitted to falsifying more than 100 student grant applications and attendance and grade records. The applications and records were falsified to make it appear that the grants were legitimate. The Department has initiated administrative action to terminate this

school's participation in all Student Financial Assistance programs. The termination action is, in part, based on information supplied to the program officials by OIG at the conclusion of the criminal proceedings.

- The president of a now defunct college was convicted in early December 1982 in Federal district court of ten counts of mail fraud, two counts of making false statements on financial aid applications and nine counts of misuse of Federal financial aid money. The president was accused of masterminding a scheme to defraud ED of over $1 million in basic educational opportunity grant funds. The multi-year OIG/FBI investigation determined that most of the students who were awarded funds by the school either never attended the school or were not eligible to receive the funds. The president was sentenced in January 1983 to serve three years in prison for each of 21 counts for which he was convicted. The sentences will run concurrently.

- Three former officials of a now defunct college have all pleaded guilty to various charges of defrauding the student aid programs. The president, former business manager and former financial officer were all sentenced to varying prison terms and fines.

In addition to bringing about the successful resolution of criminal charges, the OIG investigators and auditors played a key role in the Department's successful efforts to recover monies owed the Department. Based upon information developed by the OIG, a consent order was executed in early March in Federal Bankruptcy Court which provided for a cash recovery of $60,000 as a priority administrative claim. The Department is continuing its efforts to collect another $151,000 through the filing of a general unsecured claim with the Bankruptcy Court.

CHAPTER IV

OTHER MATTERS

A. INSPECTOR GENERAL CASH AWARDS PROGRAM

ED-OIG, under authority granted in the Omnibus Budget Reconciliation Act of 1981, has initiated a cash awards program for employees whose disclosures of fraud, waste or abuse lead to agency savings. The program, initiated in an agency directive dated February 18, 1983, provides for awards of up to $10,000 on savings attributable to the employee's disclosure. The program is open to all ED employees, with the exception of the OIG staff.

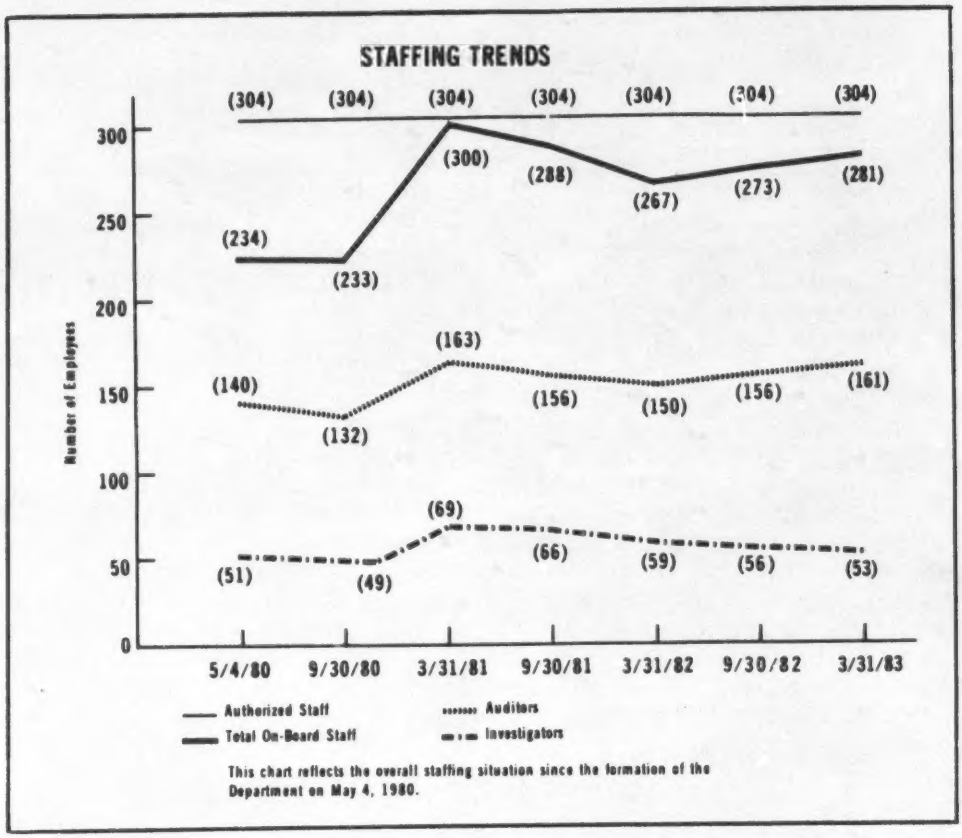
B. COMPLAINT CENTER

During this period, we received a total of 78 complaints, including 12 referred by the General Accounting Office. Since establishing the OIG Hotline in May 1980, we have received 458 complaints, 114 of which were referred by GAO. To date, a total of 338 have been closed and 62, or about 19 percent of those closed, have been substantiated. For this reporting period, 11 of the 76 complaints closed were substantiated, resulting in corrective actions by the Department. An example of a Hotline complaint received and acted on by the OIG and the Department follows.

The complaint alleged that a Department employee had abused time and attendance policies by receiving overtime pay as well as compensatory time off for the same period of work. It was further alleged that the subject's supervisor was aware of the abuse, but declined to take corrective action. Subsequent review established that the allegations were essentially accurate. Consequently, the employee was required to return over $800 in pay improperly received; the employee's leave balance was also adjusted. In addition, the complaint resulted in actions taken to more rigidly enforce management of overtime and timekeeping practices within the concerned office, including a letter of reprimand to the individual's supervisor.

C. STAFFING

Since its inception, OIG has been working under a full-time equivalent personnel ceiling of 304 positions. Of the 304 authorized positions, 281 were filled as of March 31, 1983 (see chart below). This represents an increase of eight in on-board staff from the last reporting period.



Funds made available to OIG for fiscal year 1983 should enable us to hire additional audit and investigative personnel to meet critical needs in both our headquarters and field offices.

D. SUBSTANTIAL COST REDUCTION IN SECURITY PROGRAM

On March 3, 1983, the OIG signed an agreement with the Office of Personnel Management (OPM) initiating a modified security program which may save the Department of Education a substantial sum through fiscal year 1984. For those positions within the Department designated to be less than critical-sensitive, OPM will conduct limited background investigations instead of full field background investigations for a savings of at least $950 per investigation.

E. REVIEW OF LEGISLATION AND REGULATIONS

The Inspector General Act of 1978 (Public Law 95-452), Section 4(a)(2), requires Inspectors General to review existing and proposed legislation and regulations relating to programs and

operations of their Departments. Reviews are made to determine the impact of such legislation and regulations on the economy and efficiency of programs and operations financed by the Department and on the prevention and detection of fraud and abuse in these programs and operations. During this period, we reviewed 24 pieces of legislation and 25 proposed regulations. Some of the more significant results of these reviews are highlighted in Chapter I of this report.

F. PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

We are continuing our participation in a number of interagency projects and committees initiated by the President's Council on Integrity and Efficiency which involve Government-wide efforts. Following is a listing of the projects and committees in which we are engaged.

- Performance Evaluation Committee
- Computer Audit Committee
- Training Committee
- Long Term Computer Match Project
- A-102, P Evaluation Project

G. SUBPOENAS ISSUED

The Inspector General is authorized to issue administrative subpoenas to require the production of information necessary for the performance of mandated responsibilities. During this reporting period, one administrative subpoena was issued.

Appendix 1

REPORTING REQUIREMENTS

The specific reporting requirements as prescribed in the Inspector General Act of 1978 are listed below.

SOURCE	LOCATION IN REPORT
INSPECTOR GENERAL ACT	
Section 4(a)(2) -- Review of Legislation and Regulations	Page I-1 Page IV-2
Section 5(a)(1) -- Significant Problems, Abuses, and Deficiencies	Page II-4 Page III-3
Section 5(a)(2) -- Recommendations with Respect to Significant Problems, Abuses and Deficiencies	Page I-1 Page II-4
Section 5(a)(3) -- Prior Significant Recommendations Not Yet Implemented	Page II-17
Section 5(a)(4) -- Matters Referred to Prosecutive Authorities	Page III-1
Section 5(a)(6) -- Listing of Audit Reports	Page V-2
Section 5(a)(5) and 6(b)(2) -- Summary of Instances Where Information was Refused	(There were no instances where information was unreasonably refused)

Federal Audits of Education Department Programs
October 1, 1982 through March 31, 1983

Section 5(a)(6) of the Inspector General Act requires a listing of each audit report completed by OIG during the reporting period. A total of 167 audit reports were completed by Federal auditors, 88 with audit findings and 79 without findings. These reports are listed below:

A. Audit Reports With Findings

ACN NUMBER	ENTITY NAME	ISSUE DATE
01-30001	MA ST DEPARTMENT OF EDUCATION	10/82
01-30002	RI ST DEPARTMENT OF EDUCATION	01/83
01-30004	COLONIAL BANK TRUST CO	03/83
01-30005	CASCO BANK TRUST CO	02/83
01-30006	MUTUAL BANK OF BOSTON	03/83
01-30007	CT STUDENT LOAN FOUNDATION	12/82
01-30008	JOHNSON WALES COLLEGE	03/83
01-30012	WORCESTER STATE COLLEGE	03/83
01-30013	HURON INSTITUTE	10/82
01-30014	HURON INSTITUTE	10/82
01-30019	PERKINS SCHOOL FOR THE BLIND	01/83
01-30021	CRC ED HUMAN DEV INC	03/83
01-30022	CRC ED HUMAN DEV INC	03/83
02-30002	BAYONNE SCHOOL DISTRICT	03/83
02-30005	NY STATE EDUCATION DEPARTMENT	12/82
02-30007	INTERNATIONAL CAREER INSTITUTE	03/83
02-30008	ADELPHI INSTITUTE	01/83
02-30010	FLEUR-DE-LIS BEAUTY ACADEMY	02/83
02-30015	NY DEPT OF ED ECOS TRNG INSTITUTE	10/82
02-30019	AMERICAN BUSINESS INSTITUTE	12/82
02-30020	EDUCATIONAL BROADCASTING CORP	01/83
03-30002	DE ST DEPT OF EDUC	12/82
03-30009	CARLOW COL	11/82
03-30010	SPANISH SPEAKING COMM OF MD	10/82
03-30011	LILLIAN ANTHONY	12/82
03-31201	LINCOLN COUNTY BD OF EDUCATION	12/82
03-31202	THOMAS BUFFINGTON & ASSOCIATES	10/82
03-31204	WV WESLEYAN COLLEGE	12/82
03-31205	WV WESLEYAN COLLEGE	11/82
03-31216	REHAB GROUP INC	02/83
03-31217	MANDEX, INC	02/83
04-30001	MS DEPT OF ED TITLE I ESEA	03/83
04-30006	BLIND AGENCY FL DEPT OF ED	02/83
04-30008	FL DEPT OF ED	12/82
04-30011	TN STATE UNIV SPEC ED	01/83
04-30012	MEDICAL CAREER COLLEGE	12/82
04-30014	MOREHOUSE COLLEGE	01/83

A. Audit Reports With Findings (Cont'd)

04-30028	REVIEW OF REHAB SVCS ADMIN	03/83
04-30030	AL DEPARTMENT OF EDUCATION	01/83
05-24260	UNIVERSITY OF WI	09/82
05-30001	OH ST REHAB SERV COMMISSION	10/82
05-30015	IN DPI 4C IMPROVIN LOCAL ED PRAC	02/83
05-30016	IN COMM HIGH ED COMPREH PLAN GR CLO	01/83
05-30017	IN COMM HIGH ED COMM SVC GRNT CLOS	02/83
05-30020	MI DEPT OF ED RIGHT TO READ	02/83
05-30022	MN DEPT OF ECONOMIC SECURITY	02/83
05-30023	MN DEPT OF ECON SEC CASE SERV F780	02/83
05-30029	WI DEPT OF PUB INSTR C RIGHTS GRANT	12/82
05-30031	FRANKLIN UNIV SFA FISAPP REVIEW OH	11/82
05-30032	FRANKLIN UNIV NDSL DEFAULT RATES	12/82
05-30035	WI HIGHER EDUC CORP	02/83
05-30043	WI DEPT OF PUBLIC INSTR C RIGHTS GR	11/82
05-30045	IN REHAB SERVICES BOARD	12/82
05-30050	MILTON COLLEGE	01/83
05-30264	KENT STATE UNIVERSITY	11/82
06-20112	VOC ED TX ED AGENCY HANDICAP COUNT	10/82
06-20119	ST. CHARLES PARISH BILINGUAL	10/82
06-30004	HOUSTON ED SVC CTR REGION IV	10/82
06-30006	ST EDWARD'S UNIV TITLES III AND VII	02/83
06-30011	LA-DEPT OF ED - EBRPSB - ESEA-I	03/83
06-30012	OFFICE OF CIVIL RIGHTS MGMT REVIEW	11/82
07-30003	TITLE I ESEA KC KS SCHOOL DIST	11/82
07-30004	TITLE I ESEA KC MO SCHOOL DIST	12/82
07-30005	EXCEPT CHILD CTR COOP SEYMOUR MO	12/82
07-30006	PLATT BUS COLL CURRENT OWNER KCMO	12/82
07-30007	WENTWORTH MILITARY ACA LEXINGTON MO	12/82
07-30011	NATIVE AMERICAN RESEARCH INSTITUTE	03/83
07-30013	BLUE HILLS HOMES CORPORATION	03/83
07-30014	NATIVE AMERICAN RESEARCH INSTITUTE	02/83
07-30015	NATIVE AMERICAN RESEARCH INSTITUTE	02/83
07-30016	NATIVE AMERICAN RESEARCH INSTITUTE	02/83
07-30018	NDN KEDDS LINK WICHITA	02/83
07-30026	NATIVE AMERICAN RESEARCH INSTITUTE	03/83
08-30003	CENTER DISTRICT 26	11/82
08-30008	UNIV OF DENVER	12/82
09-30001	CA ST DEPARTMENT OF EDUCATION	12/82
09-30005	CA ST DEPARTMENT OF EDUCATION	02/83
09-30007	COMPTON UNIFIED SCHOOL DISTRICT	12/82
09-30008	COMPTON UNIFIED SCHOOL DISTRICT	11/82
09-30009	CA ST DEPARTMENT OF EDUCATION	10/82
09-30010	SYSTEMS DEVELOPMENT CORPORATION	12/82
10-20007	SUPERINTENDENT OF PUBL INSTRUCTION	09/82
10-20010	SUPERINTENDENT OF PUBL INSTRUCTION	09/82
10-30002	GRIFFIN BUSINESS COLLEGE	01/83
10-30005	STUDENT LOAN FUND OF ID INC	03/83
10-30009	UNITED INDIANS OF ALL TRIBES FOUND	01/83
12-30001	EDPMTS DEVELOPMENT REVIEW PART 2	12/82
12-30002	PAY/PERS DEVELOPMENT PLAN PART 1	03/83

B. Audit Reports Without Findings

01-30015	HURON INSTITUTE	10/82
01-30016	WGBH EDUCATIONAL FOUNDATION	10/82
01-30023	CRC ED HUMAN DEV INC	03/83
02-30004	NYC ED DEPT	11/82
02-30012	AMERICAN BUSINESS INSTITUTE	10/82
02-30014	NYC BOARD OF ED	10/82
02-30016	EDUCATIONAL TESTING SERVICE	10/82
02-30017	EDUCATIONAL TESTING SERVICE	10/82
02-30018	EDUCATIONAL TESTING SERVICE	10/82
02-30021	EDUCATIONAL BROADCASTING CORP	01/83
02-30023	NY COMMUNITY SCHOOL DISTRICT #3	03/83
02-30024	UNITED STUDENT AID FUNDS	03/83
02-35900	MATHEMATICA POLICY RESEARCH INC	01/83
02-35901	ALBERT EINSTEIN COLLEGE OF MEDICINE	03/83
03-23457	ADVANCE TECHNOLOGIES INC	09/82
03-23459	AMERICAN INSTITUTE FOR RESEARCH IN BEHAVIORAL SCIENCES	09/82
03-23460	AMERICAN INSTITUTE FOR RESEARCH IN BEHAVIORAL SCIENCES	09/82
03-23464	RMC RESEARCH	09/82
03-23465	OPPORTUNITY SYSTEMS INC	09/82
03-30012	T S INFO SYSTEMS	10/82
03-30013	T S INFO SYSTEMS	10/82
03-30015	UNIV OF PA	01/83
03-30017	AMERICAN INST FOR RESEARCH	12/82
03-31203	THE JOHN HOPKINS UNIVERSITY	10/82
03-31206	KING RESEARCH INC	10/82
03-31207	MACRO SYSTEMS INC	10/82
03-31208	COMPUTER SCIENCES CORP	10/82
03-31209	PA ST UNIVERSITY	10/82
03-31214	NAT'L CTR FOR A BARRIER FREE ENVIR	01/83
03-31215	PA ST UNIVERSITY	02/83
03-31218	VSE CORP	02/83
03-31221	L MIRANDA & ASSOCIATES	03/83
03-31222	SYSTEMS MGMT AMER CORP-PROPOSAL	03/83
03-31223	BOOZ ALLEN & HAMILTON	03/83
03-31224	AMER ASSOC FOR ADVANCEMENT OF SCI	03/83
04-30017	FL COLLEGE OF BUSINESS	11/82
04-30053	ASSOC OF MIGRANT ORGANIZATIONS	03/83
04-31001	E TN STATE UNIV FED GRANT CONTRACTS	11/82
04-31048	UNIVERSITY OF AL	02/83
04-31064	RESEARCH TRIANGLE INSTITUTE	02/83
05-23611	UNIVERSITY OF IL	09/82
05-24259	UNIVERSITY OF MN	09/82
05-30002	IN DEPT PUBLIC INST A-87 IND COST	10/82
05-30003	CHICAGO BD OF EDUCATION ESEA TITLE 1	10/82
05-30019	ITT TECH&BUS INST	11/82
05-30036	UNIV OF WI-MADISON	11/82
05-30044	WI DEPT OF PUBLIC INSTR C RIGHTS GR	11/82
05-30278	UNIVERSITY OF IL	11/82
06-30005	POWELL ASSOC	10/82

B. Audit Reports Without Findings (Cont'd)

06-30013	FLAMING RAINBOW UNIV ASSESSMENT	11/82
07-30001	UNIV OF MO COLUMBIA	10/82
07-30002	UNIV OF MO COLUMBIA	10/82
07-30010	SOUTHWEST IA LEARNING RESOURCES CTR	12/82
08-23864	CONTRACTING CORP OF AMERICA	09/82
08-30000	CO DEPT OF EDUCATION	12/82
08-30004	COM COLLEGE OF DENVER	11/82
08-30005	PARKS COLLEGE	01/83
08-30007	UNIV OF CO	11/82
08-30010	UNIV OF UT	12/82
08-30011	UNIV OF UT	12/82
08-30014	CO ST BD FOR COMM COL & OCC ED	12/82
08-30913	UNIVERSITY OF UT FEDERAL G & C	02/83
09-24003	RAND CORPORATION	09/82
09-30004	CA ST DEPARTMENT OF EDUCATION	01/83
09-30011	FAR WEST LABORATORY FOR EDUCATION	12/82
09-30014	LOS ANGELES CITY SCHOOL DISTRICT	01/83
09-30015	BICULTURE CHILDRENS TELEVISION	12/82
09-30016	CA ST DEPARTMENT OF EDUCATION	12/82
09-30017	CA ST DEPARTMENT OF EDUCATION	01/83
09-30018	SYSTEMS DEVELOPMENT CORPORATION	01/83
09-30022	SYSTEMS DEVELOPMENT CORPORATION	01/83
09-30023	LOS ANGELES UNIFIED SCHOOL DISTRICT	02/83
10-30011	UNITED INDIANS OF ALL TRIBES FOUND	01/83
10-30164	UNIVERSITY OF WA	12/82
11-30005	FRAUD DETECTION CHECK PROCESSING	12/82
11-30007	NIE MGMT OF NICD CONTRACT	12/82
11-30010	SURVEY FOR POTENTIAL AUDIT AREAS	12/82
11-30015	REVIEW OF ED CONTRACT ALLEGATIONS	12/82
11-30016	SURVEY OF REAL PROPRTY ASSIST PROGR	11/82

SCHEDULE OF ACCOUNTS RECEIVABLE

The Senate Committee on Appropriations' report on the Supplemental Appropriations and Rescission Bill of 1980 directed the Inspectors General to include in their semi-annual reports a summary of the total amounts due their agency or Department, as well as amount overdue, and amounts written off as uncollectable during the reporting period. The following schedule was provided by the Office of Financial Management Service for inclusion in our semi-annual report. The accounts receivable statistics have not been audited by the OIG. We are therefore unable to attest to the accuracy of the data provided.

DEPARTMENT OF EDUCATION
SCHEDULE OF RECEIVABLES
AS OF MARCH 31, 1983

SCHEDULE B, SF 220 — REPORT ON STATUS OF ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC			AS OF March 31, 1983
BUREAU OR FUND NAME: Consolidated	BUREAU IDENTIFICATION NO.: 91-02-0001		FUND ACCT. SYMBOL NO.
Section I: RECONCILIATION	ACCOUNTS RECEIVABLE	LOANS RECEIVABLE	OTHER RECEIVABLES
1. Beginning Receivables	829,346,265	9,880,218,382	3,519,451
2. Activity			
a. New receivables during the fiscal year	208,911,691	245,661,786	36,113,068
b. Repayments or receivables	-265,107,516	-109,512,905	-1,426,456
c. Reclassified amounts	-468,336,640	-52,023,429	530,305,155
d. Amounts written off	-461,653	-184,767,955	-331,810
3. Ending receivables	304,352,147	9,779,575,879	568,179,408
Section II: OUTSTANDING RECEIVABLES			
1. Current receivables			
a. Not Delinquent	137,596,170	148,822,286	XXXXXXXXXXX
b. Delinquent			
1. 1-30 days	9,577,646	46,114,427	XXXXXXXXXXX
2. 31-90 days	5,689,586	59,534,064	XXXXXXXXXXX
3. 91-180 days	13,469,360	70,968,001	XXXXXXXXXXX
4. 181-360 days	23,454,616	249,429,864	XXXXXXXXXXX
5. Over 360 days	114,564,769	1,748,321,236	XXXXXXXXXXX
Total Delinquent Receivables	166,755,977	2,174,367,592	XXXXXXXXXXX
2. Non-current receivables	XXXXXXXXXXX	7,456,386,001	568.179.408
3. Total Receivables	304,352,147	9,779,575,879	568.179.408
Section III: ALLOWANCES AND WRITE-OFFS			
1. Total allowances for uncollectible accounts, beginning of period	255,617,493	1,086,611,743	-0-
2. Total actual write-offs during the fiscal year	-461,653	-13,273,568	-331,810
3. Adjustment to allowance account for the period (provision for loss expense)	-240,823,670	96,129,264	245,474,944
4. Total allowances, end of period	14,332,170	1,169,467,439	245,143,134
Section IV: ADMINISTRATIVE ACTIONS			
1. Delinquent accounts referred to GAO			
a. Number	-0-	-0-	-0-
b. Amount	-0-	-0-	-0-
2. Delinquent accounts referred to Justice			
a. Number	-0-	-0-	-0-
b. Amount	-0-	-0-	-0-

Section V: RESCHEDULED RECEIVABLES	ACCOUNTS RECEIVABLE	LOANS RECEIVABLE	OTHER RECEIVABLES
1. Current Rescheduled Receivables			
a. Not Delinquent			XXXXXXXXXX
b. Delinquent			
1. 1-30 days			XXXXXXXXXX
2. 31-90 days			XXXXXXXXXX
3. 91-180 days			XXXXXXXXXX
4. 181-360 days			XXXXXXXXXX
5. Over 360 days			XXXXXXXXXX
Total Delinquent Rescheduled			XXXXXXXXXX
2. Non-Current Rescheduled Receivables	XXXXXXXXXX		1,455,552
3. Total Rescheduled Receivables			1,455,552
Section VI: INTEREST AND PENALTIES ON DELINQUENCIES			
1. Beginning interest and penalties	-0-		
2. Activity			
a. New interest and penalties assessed during the fiscal year	1,592,978		
b. Interest and penalties collected during the fiscal year	-524,563		
c. Interest and penalties written off during the fiscal year	1,068,415		
3. Ending interest and penalties			